A survival analysis of Indonesian distressed company using cox hazard model

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Aims of the study are to see if the control of corruption and financial ratios affect the survival likelihood of financially distressed companies. Of the public listed companies noted on the Indonesian Stock Exchange between 2002-2014, sixty-one (61) financially distressed companies were identified as samples via the purposive random-sampling approach. The result of Cox proportional hazards regression showed that the control of corruption had a negative impact on the survival likelihood of the distressed companies, which means the better control of corruption will make the company's financial distress decreased. Size also has a negative influence to the financial distress, the higher the size of the company will decrease the company's financial distress. But this study proved that the higher the liquidity of the company, the higher the company's financial distress. This study proved that agency problems exist in such companies and that corruption is an obstacle that impedes the economic growth.

Author keywords
- Cox hazard model
- Distressed company
- Survival analysis

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Document Type: Article
Source: Scopus
International Journal of Economics and Management

Country: Malaysia
Subject Area and Category:
- Business, Management and Accounting
- Business and International Management
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- Economics, Econometrics and Finance
- Economics, Econometrics and Finance (miscellaneous)
Publisher: Universiti Putra Malaysia
Publication type: Journal
ISSN: 1823866X
Coverage: 2005-ongoing

SJR 2017: 0.17
Q3: Business and International Management (best quartile)

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ABSTRACT

The aim of this study is to see if the control of corruption and financial ratios affect the survival likelihood of financially distressed companies. Of the public listed companies noted on the Indonesian Stock Exchange between 2002-2014, sixty one (61) financially distressed companies were identified as samples via the purposive random sampling approach. The result of Cox proportional hazards regressions showed that the control of corruption had a negative impact on the survival likelihood of the distressed companies, which means the better control of corruption will make the company’s financial distress decreased. Size also has a negative influence to the financial distress, the higher the size of the company will decrease the company’s financial distress. But this study proved that the higher the liquidity of the company, the higher the company’s financial distress. This study proves that agency problems exist in such companies and that corruption is an obstacle that impedes the economic growth.

Keywords: cox hazard model, distressed company, survival analysis.

JEL Classification: G33, G3

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